

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industrial Promotion – Execution of sale deed in favour of M/s Hero Moto Corp Limited (HMCL) to setup a facility in Chittoor District and allotment of land @ Rs.10.00 Lakhs per acre to their supply chain partners, dispute resolution mechanism between APIIC and HMCL in the MoU and permission to diversification activities of unit – Orders- Issued.

INDUSTRIES & COMMERCE (INFRA) DEPARTMENT

G.O.MS.No. 47

Dated: 10-04-2016

Read the following:-

1. GoAP Memorandum of Understanding Dt: 16.09.2014 with M/s Hero MotoCorp Limited.
2. State Investment Promotion Board Meeting held on 26.09.2014.
3. G.O.Ms.No.199, Industries and Commerce (IP&INF) Dept., 04.12.2014
4. Representation of M/s Hero MotoCorp Limited, dated 31.03.2016
5. From the VC & MD, APIIC, Hyderabad Lr.No.619/APIIC/Projects/Hero/Satyavedu/ 2014, dated 31.3.2016.

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O R D E R:-

In the reference 1st read above, Government of Andhra Pradesh entered into Memorandum of Understanding with M/s Hero Moto Corp Limited on 16.09.2014 for their proposed facility for manufacture of Two Wheelers and parts thereof in Chittoor district with an investment of Rs.1600 Crore and another Rs. 1600 Crore investment in the development of ancillary units with a potential to create employment to 15000 persons direct and indirect.

2. In the reference 2nd read above, the State Investment Promotion Board (SIPB) discussed the proposal in detail and felt that there is an urgent need to attract large scale automobile projects to the newly created State, which has become severely deficit of industry after bifurcation. After detailed discussion, SIPB concurred with the action of Government in signing the MoU with Hero MotoCorp Limited and approved the incentives provided to M/s. Hero Moto Corp Limited as agreed in the MoU dated 16.09.2014.

3. Accordingly, Government has issued orders in the reference 3rd read above, concurring the action of Government in signing the MoU with Hero Moto Corp Limited and approved the incentives provided to M/s. Hero MotoCorp Limited as agreed in the MoU dated 16.09.2014.

4. In the reference 4th read above, M/s. Hero Moto Corp Limited informed that M/s. HMCL is committed to make its plant in A.P. as its most state of art plant deploying robotics, cutting edge manufacturing technology and green building technology. Besides this it was also mentioned that they are committed to make the A.P. plant as manufacturing hub for two wheelers especially for east and south Asia.

5. The Unit has further informed that the facility will create employment to 1,500 persons in the first phase, which will increase upto 3,500 persons at the final expansion for its two wheeler plant and parts thereof. In addition to that an employment of 2,000 persons would be created by the supply chain partners in Phase-I and would go upto 6,500 persons at the final stage of expansion. The Company has submitted the following action plan for Mother Plant and Ancillary Base.

(P.T.O)

Mother plant

- i. Commencement of Production in Phase 1 (Investment of a minimum of Rs 800 crores and production Capacity of 0.5 million units per annum): by December 2018.
- ii. Capacity addition in Phase 2 (Investment of a minimum of Rs 400 crores and enhancing production capacity to additional 0.5 million units per annum):by December 2020.
- iii. Capacity addition in Phase 3 (Investment of a minimum of Rs 400 crores and enhancing production capacity to additional 0.8 million units per annum):by December 2023.

Supplier Base:

- i. Commencement of Production in Phase 1 (Investment of a minimum of Rs 400 crores) by December 2019.
- ii. Investment in Phase 2 (Investment of a minimum of Rs 600 crores) by December 2021.
- iii. Investment in Phase 3 (Investment of a minimum of Rs 600 crores) by December 2024

6. Finally, M/s. Hero MotoCorp Limited requested the Government for the following support to take forward the project:

- (i) To execute the Sale Deed for the land to be allotted to the mother plant before the implementation of the Project. The Company has informed that their request is in conformity with the conditions precedent clause of the MOU and arises from the desire of Hero MotoCorp Limited to insulate itself from any litigation in the future, in view of it's earlier experience in other States and also subsequently experienced again in the present land allotted by the APIIC in Madannapalem, Satyavedu mandal, Chittoor district.
- (ii) To permit APIIC to allot 200.00 acres of land at the rate of not exceeding Rs.10.00 lakhs per acre for their supply chain partners within the radius of the 25 to 35 K.M. The company has stated that their request regarding distance and price of the land is to regain the confidence of the suppliers and to protect the integrity and the feasibility of the project.
- (iii) To replace the clause in the land allotment letter, dated 18-2-2016 of the APIIC Limited empowering the APIIC to decide on any doubt arising out of the indenture, with a clause for referring any disputes arising out of the allotment or sale deed to arbitration as per the Arbitration and Conciliation Act, 1996 and the venue of which can be the State of Andhra Pradesh. The company has stated that this is in consonance with the globally accepted practice, the Arbitration and Conciliation Act, 1996 and also with the arbitration condition mentioned in the MoU, dated 16-9-2014 entered between the Government of Andhra Pradesh and the Hero MotoCorp Limited.
- (iv) To permit M/s. HMCL to manufacture/ diversify plans including but not restricted to two wheeler, Three Wheelers, Electrical Vehicles, Aerospace, Defense and technology relating to Greentech.

7. The VC & MD, APIIC in his letter 4th read above, has requested the Government to take a view on the request of the M/s. HMCL in the reference 3rd read above.

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8. Government, after careful examination hereby approve the following incentives /benefits to M/s Hero Moto Corp :

- (a) APIIC to execute sale deed on receipt of sale consideration, in favour of M/s.Hero Moto Corp Limited (HMCL) for 600 acres in Madannapalem (V), Satyavedu (M) of Chittoor district. APIIC shall monitor the utilization of land and report the progress of project implementation from time to time to Government.
- (b) APIIC to allot 200 acres of land at Rs.10.00 lakhs per acre for HMCL's supply chain partners / ancillaries within a radius of 25- 35 KMs from main project site.
- (c) Dispute resolution mechanism between APIIC and HMCL shall be, as already provided in the MoU and within the State of Andhra Pradesh.
- (d) APIIC to permit diversification of HMCL's manufacturing activity to include products like three wheelers, Electrical vehicles, Aerospace & Defence and Technology relating to Green-tech by HMCL/their joint ventures /their business associates.

9. The VC & MD, APIIC, Hyderabad shall take necessary action, accordingly and intimate the status of the progress of work done by the unit from time to time to the Government.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

M. GIRIJA SHANKAR
SECRETARY TO GOVERNMENT & CIP (FAC)

To
The VC& MD. APIIC, Hyderabad.
The Director of Industries, A.P., Hyderabad.
M/s Hero MotoCorp Limited, through the VC&MD, APIIC
Hyderabad.

Copy to:

The District Collector, Chittoor.
The GA (Cabinet) Department.
The Revenue (LA) Department.
The Energy Department.
The Finance (FMU-Rev-I&C) Department.
The Law Department.
The Ind. & Com. (P&I) Department.
The PS to Prl.Secy. to CM(GSP)
The PS to Secy. & CIP
The PS to Secy. (Mines & FP)
SF/SC

//FORWARDED : : BY ORDER//

SECTION OFFICER